



IRS and eRate Topics

Karen Ainslie
kainslie@library.IN.gov
Indiana State Library
800/451-6028

IRS

- *Federal, State and Local Governments (FSLG)*

<http://www.irs.gov/govt/fslg>

Raelane K. Hoff
IRS (Indiana)
(812) 231-6502 (Work)
Raeland.Hoff@irs.gov
801 Wabash Ave. Suite 2
Terre Haute, IN 47807
www.irs.gov/govt

Beverly Elsner
IRS (Indiana)
(812) 378-1254 (Work)
Beverly.Elsner@irs.gov
2525 California St.
Columbus, IN 47201
www.irs.gov/govt

Payroll Withholdings

- *Contractor vs. Employee*
- *Misclassifying contractors*
- *IRS Definition <http://www.irs.gov/taxtopics/tc762.html>*
- *Evidence of control and independence in this relationship should be considered*

Automatic Deposits

- *Effective January 1, 2011 taxpayers with a total liability for the quarter which is greater than \$2500 must enroll in EFTPS to make their deposits*
- *Visit www.eftps.gov for more information*

Cell Phones

- *New Law*
 - *No longer subject to the special substantiation rules that are required for company provided computers, automobiles, etc.*
 - *IRS is working on a policy statement which should be out shortly.*
 - *Policy on cell phones will be posted to the government entity landing page as soon as it's off the press. Here's the link:*
<http://www.irs.gov/govt/fslg/index.html>
- *Personal use of company provided cell phone is still a taxable fringe benefit*

Fringe Benefits

- http://www.irs.gov/pub/irs/tege/fringe_benefit_fslg.pdf
- Search “Webinar on Fringe Benefits” or may be able to follow this link <http://www.irsvid98.s.gov/0743/>

Fringe Benefits

- *Taxable*
 - *Company Provided Car*
 - *Company Provided Cell Phone*
- *Non-Taxable*
 - *Food and Lodging*
 - *Education Assistance*

Fringe Benefits

- *Accountable Plan*

- *Under IRC sections (a)(2) and 62 (c), reimbursements for travel (including amounts allowable under established per diem rates) that meet established test for an accountable plan, are not subject to employment taxes (federal income tax withholding, social security and Medicare).*

Fringe Benefits

- *Requirements of Accountable Plan*
 - *There must be a business connection and the expense must be reasonable*
 - *There must be reasonable accounting for the expenses*
 - *All excess reimbursements must be repaid in a reasonable time*

Health Care

- *Small Business Health Care Tax Credit*
 - *New credit helps small businesses and small tax-exempt organizations afford the cost of covering their employees and is specifically targeted for those with low- and moderate-income workers.*
 - *Learn more by browsing our page on the [Small Business Health Care Tax Credit for Small Employers.](#)*

Health Care

- *Health-Care Tax Credits*
 - *No more than 25 full-time employees*
 - *Average wages below \$50,000*

Health Care

- *Employer-Provided Health Coverage — Not Taxable; Reporting*
 - *Starting in tax year 2011, the Affordable Care Act requires employers to report the value of the health insurance coverage they provide employees on each employee's annual Form W-2.*
 - *for informational purposes only, to show employees the value of their health care benefits so they can be more informed consumers; not a tax liability*
 - *Reporting by employers optional in 2011*
 - *provide employers the time they need to make changes to their payroll systems or procedures in preparation for compliance with this requirement*

FCC 6th Report & Order¹

- *September 28, 2010 Changes Announced*
- *For all things eRate with ISL Consortium:*
 - eRate Consultant is AdTec: Marilyn Hobbs
 - Vendor for state master contract: ENA
- *eRate Timeline*
 - On file at Indiana State Library before services are ordered:
 - Letter of Agency
 - Resolution to Join ISL Internet Consortium
 - CIPA Form 479

Technology Plan

- *No longer required for Priority 1*
 - Eliminated because you are already subject to state and local requirements
- *New Standards for calendar year 2011 mandates a Technology Plan*
 - Indiana Administrative Code 590 Rule 6
- *Required for Priority 2*
 - Some priority 1 items may be transferred to internal connections, a Priority 2 item
 - Consult <http://www.usac.org/sl/applicants/step06/on-premise-priority1-equipment.aspx>

Budget Review

- Technology Plan no longer requires budget for eRate purposes
- Can do this because FCC still requires you to certify you have necessary resources to make effective use of the service
 - Form 471 signed by Library Director
 - Certifies library has budget resources
- Data sheet submitted to AdTec who completes filing requirements

Expanded Access to Low Cost Fiber

- *Flexibility to choose cost effective solution to broadband connectivity*
 - Encourages collaboration with local, state and federal agencies to more effectively utilize existing facilities and resources to meet broadband needs
- *Variety of entities: telecommunication carriers to non-traditional providers*
 - Research and education networks; regional, state and local government entities and networks that successfully provide fiber solutions

Competitive Bidding

- *Requires Form 470 (FCC)*
 - Fair and Open
 - State Master Contract dual process includes State RFP
 - New Form Currently Waiting OMB Approval

Gifts

- *Violation*

- Receipt of gifts by applicants from service providers and potential service providers is a competitive bidding violation
- Prohibitions are always applicable, not just during the competitive bidding process

- *Exceptions:*

- Items worth \$20 or less (meals, pencils, pens, hats, t-shirts etc) as long as those items do not exceed \$50 per funding year per employee from any one source (service provider) are OK.

Gift Examples

| Gifts OK | Gifts NOT OK |
|--|---|
| Coffee and donuts at a presentation | Meal at presentation over \$20 |
| Door Prize: Ball cap worth \$20 or less | Door Prize: \$30 gift card |
| Certificate or plaque presented at conference | Gold watch given as thank you gift |
| | Travel, food or lodging at conference, even if you are speaking on behalf of the provider |
| Pens handed out a conference worth \$20 or less | Conference giveaways: any item exceeding \$20 in value (eg briefcase) |
| Holiday present to sibling, not reimbursed by company, paid with own funds | Customer Appreciation meal/gift exceeding \$20 |

Gift Examples

| Gifts OK | Gifts NOT OK |
|--|--|
| <p>Joe Applicant get \$18 lunch from Larry, the Cable Guy. No other meals or gifts during the funding year from anyone employed by, or representing, the Cable Company.</p> <p>No Rule Violation = Total gift below \$20 and \$50 threshold.</p> | <p>Joe Applicant get \$12 lunch from Larry, the Cable Guy three times during the funding year. (Total: \$36 total). Larry's boss, takes Joe to lunch for \$18. (Total from Cable Company: \$54).</p> <p>Rule violation = exceeded \$50 threshold</p> |
| <p>Jane Applicant wins mousepad at a conference from Internet R Us. (Value = \$8)</p> <p>Jane Applicant also receives \$15 box of chocolates from Internet R Us.</p> <p>No Rule Violation = Both below \$20 and did not exceed \$50 threshold.</p> | <p>Jane Applicant wins a wireless mouse and mousepad at a conference from Internet R Us. (Value = \$24 +\$8)</p> <p>Rule violation: One gift exceeded \$20 threshold.</p> |

Disposal of Obsolete Equipment

- *Five year threshold after the equipment installed*
- *Encourage libraries to be stewards of eRate funding, use equipment as long as it is viable and effective*
- *No reporting required*
- *Expect compliance with state and local laws*